

# management limited

and its Subsidiaries
G.E.F. MANAGEMENT LIMITED
AGF SECURITIES, INC.

1970 ANNUAL REPORT





ASSETS UNDER MANAGEMENT \$255,000,000 (December 31, 1970)

#### AMERICAN GROWTH FUND

A dynamic Canadian Mutual Fund providing Canadians with the opportunity of investing in the great "growth-through-research" industries of the United States which are not generally available in Canada.

# GROWTH EQUITY FUND

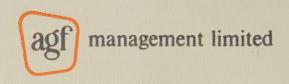
A 100% Canadian growth stock portfolio — from natural resources to high technology.

### CANADIAN TRUSTEED INCOME FUND

A portfolio of high yielding Canadian common stocks, preferred stocks and bonds.

#### AGF SPECIAL FUND LIMITED

A Speculative Fund investing in Special Situations which appear to offer unusually high growth potential. Shares available on a limited basis from time to time.



W. A. MANFORD

C. W. GOLDRING

DIRECTORS

G. B. SUTHERLAND

K. J. GRAY

L. E. EMERSON

President

W. A. MANFORD

Executive Vice-President

C. W. GOLDRING

Senior Vice-President

G. B. SUTHERLAND

**OFFICERS** 

Vice-President

K. J. GRAY

Vice-President

L. E. EMERSON

Secretary

D. G. PITTET

Treasurer

I. A. SHAW

HEAD OFFICE AUDITORS 50th Floor, Toronto Dominion Bank Tower, Toronto, Ontario

Price Waterhouse & Co.

Guaranty Trust Company of Canada

**REGISTRAR & TRANSFER AGENT** 



# PRESIDENT'S REPORT TO SHAREHOLDERS

In the wake of the sharpest stock market decline of the past thirty years, the Company's earnings decreased from \$1,162,205 or 63¢ per share in 1969 to \$462,042 or 25¢ per share in 1970.

Although the stock market turned around in late May, assets under administration, on average, were considerably lower than in 1969 and, as a result of the drastic drop in stock prices with the attendant shock effect on the average investor, sales were substantially less than in the previous year.

The brokerage operations of our wholly-owned subsidiary, AGF Securities Inc., a member of the U.S. Pacific Coast Stock Exchange, continued to make money for the Company in 1970, as well as being the instrument through which the management fee of American Growth Fund was substantially reduced through execution of some of the Fund's purchases and sales on the Pacific Coast Stock Exchange. On the other hand, our Specialist operations on the Pacific Coast Exchange lost money due to the violent nature of the markets last year.

For 1971 we look forward to more profitable operations, as we expect both the North American economies and stock markets to rise generally through the year and into 1972. Assets under administration are some \$40 million above what they were seven or eight months ago and sales of our shares through our own direct sales force and through stock brokers and investment dealers from coast to coast are showing some signs of improvement, although the small investor is not back in the market as yet. However, if the market continues upward during the months ahead, mutual fund sales should gradually and steadily improve.

We are happy to say also that a substantial portion of our sales force is now dual-licensed to sell both mutual funds and insurance. Through arrangement with The Sovereign Life

Assurance Company we are able to sell all types of life insurance, both separately and in conjunction with mutual fund programs. We can thus offer additional services to our clients which should be profitable to them and our Company.

Also, at one end of the investor scale we are currently offering the A.G.F. Equity Builders program, a mass marketing payroll deduction plan for corporate employees. Under this program, mutual funds may be purchased in units as low as \$5. per week, with optional completion insurance. This is a virtually untapped market in Canada and this new plan is being sold through both investment dealers and our sales force.

Furthermore, we plan several other important potential additions to our financial services to Canadian investors. First, we are currently setting up an investment counsel subsidiary which will enable us to cover the top end of the investment scale, namely, corporate pension and profit sharing plans, and investment management for wealthy individuals. Thus, together with our regular mutual fund services and Equity Builders, we will be able to cover the entire investment spectrum. These new programs, of course, cost money to initiate but should prove profitable to the Company in a reasonable time.

Second, we are now planning the creation and sale of at least one new mutual fund, to be followed by others as conditions permit.

Finally, we have under consideration a potential entry into the mortgage and real estate investment trust field.

Thus, with North American markets and economies turned around and with new services and products to offer Canadian investors, we anticipate continued growth of the Company's money management operations over the years ahead.

W. A. MANFORD President

Toronto, Ontario February 10, 1971

consolidated statement of income	Year ended N	lovember 30
Revenue	1970	1969
Commissions	\$3,419,924	\$6,146,997
Management fees	1,346,617	1,994,262
Stock exchange specialist operations	(83,832)	_
Administration fees and other revenue	374.938	423,47/2
	5,057,647	8,564,131
Expenses	•	
Commissions	1,699,827	3,867,898
Selling general and administrative	2,116,152	1,984,180
Legal and audit	111,204	94,628
Depreciation and amortization	42,053	48,297/
	3,969,2,36	5,995,003
Net Income before income taxes, interest of minority shareholders and extraordinary item	1,088,411	2,569,728
Provision for income taxes		
Current	594,527	1,392,692
Deferred	(8,800)	(23,000)
	585,727	1,369,692
	502,684	1,200,036
Interest of minority shareholders in earnings	302,301	1,200,000
of subsidiaries	13,209	37,831
Net income before extraordinary item	489,475	1,162,205
Extraordinary item	100 // 0	1,102,40
Loss on foreign exchange	27,433	_
2000 000 100 100 100 100 100 100 100 100	\$ 462,042	\$1,162,205
Earnings per share		
Before extraordinary item	266	636
	≕ ∝ /	=
After extraordinary item	₹\$9	63¢
consolidated statement of	Year ended N	November-30
retained earnings	1970	1969
Retained earnings at beginning of year	\$1,594,758	\$1,565,852
Net income for the year	462,042	1,162,205
Tot modific the year.	2.056.800	2,728,057
Deduct	2,050,600	2,720,007
Dividends paid — 10¢ per share (1969 — 293/3¢ per share)	185,667	550,813
Income taxes paid on creation of tax-paid undistributed	100,007	030,013
income of \$371,335 under Section 105(2) of the Income Tax Act (1969 — \$495,113) (Note 2)	65,530	87, <b>373</b>
Dividend of 1,856,673 Class A preference shares (20¢	03,550	07,573
par value) paid out of tax-paid undistributed income		
(1969 — 618,891 Class A preference shares (80¢ par value)) (Note 2)	371,335	495,113
ρα, ναιασή (Νοίο Σή		
	622,532	1,133,299
Retained earnings at end of year	\$1,434,268	\$1,594,758
	1	

# consolidated statement of source and application of funds

	Year ended November 30	
	1970	1969
Funds provided		
From operations —		
Net income for the year	\$ 462,042	\$1,162,205
Add depreciation and amortization expense not requiring a current outlay of funds	42,053	48,297
	504,095	1,210,502
Reduction (increase) in cost of shares of subsidiary over book value at dates of acquisition	3,144	(3,984)
Proceeds on disposal of office furnishings and equipment and leasehold improvements	3,385	7,578
(Reduction) increase in interest of minority share- holders in net assets of subsidiaries	(3,653)	3,155
	506,971	1,217,251
Funds applied		
Purchase of office furnishings and equipment and leasehold improvements	42,445	87,343
Taxes paid under Section 105(2) of the Income Tax Act (Canada)	65,530	87,373
Dividends —		
Cash	185,667	550,813
Class A shares subsequently redeemed for cash .	371,335	495,113
Reduction in deferred income taxes	10,400	35,800
Increase (reduction) in other assets	141,701	(39,501)
	817,078	1,216,941
Increase (decrease) in working capital during the year .	\$ (310,107)	\$ 310
Working capital at end of year	\$1,462,270	\$1,772,377



### notes to consolidated financial statements

November 30, 1970

- 1. Basis of Consolidation: The financial statements consolidate the accounts of the company and the following two partly owned subsidiaries: AGF Securities, Inc., a member of the Pacific Coast Stock Exchange, and G.E.F. Management Limited, the manager of Growth Equity Fund Limited.
- 2. Stock Dividend: By supplementary letters patent dated December 16, 1969 the authorized capital was increased by the creation of 1,856,673 3% non-cumulative redeemable non-voting Class A preference shares with a par value of 20¢ each.

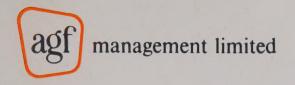
On January 5, 1970 the company elected to create \$371,335 of tax-paid undistributed income by paying tax on \$436,865 of retained earnings as permitted under the Income Tax Act (Canada). Out of the tax-paid undistributed income thus created, there was declared on January 6, 1970 a stock dividend of the 1,856,673 Class A preference shares on the outstanding Class B and common shares recorded on that date, such shares being allotted at the rate of one such Class A share for each Class B and common share held.

On January 20, 1970 the company redeemed at their par value all of the Class A shares outstanding at that date resulting in a payment of \$371,335.

These payments represent a distribution of a portion of the companies' 1969 earnings.

- 3. Long Term Leases: The company, jointly with another company, has leased premises at an annual rental of approximately \$225,000 for a period which terminates January 31, 1988. Other long term leases for varying periods of over two years require annual rental payments of approximately \$12,125.
- 4. Remuneration of Directors and Senior Officers: The directors and senior officers received direct remuneration totalling \$151,516 in the year ended November 30, 1970 (1969 \$155,376). No directors' fee are paid as such.
- **5. Stock Options:** As at November 30, 1970, options to purchase 50,000 common shares had been granted including options of 23,000 shares to Directors and Officers at prices varying from \$3.60 to \$16.83 per share. Options for 9,000 shares expire on December 3, 1978 and options for 41,000 shares expire on May 25, 1980.
- **6. Statement Presentation:** Commission revenue and commission expense for the year ended November 30, 1969 have each been increased by \$1,725,000 to reflect the amount of the gross commission revenue and expense on a basis comparable with the current year.





Earnings on the Class "B" and common shares of the Company were 10¢ per share for the first half of our fiscal year ended May 31, 1971, compared with 14¢ per share for the same period last year. The Company's interim dividend payable in July is 7¢ per share as against 10¢ per share at the same time last year.

The mutual fund industry is still recovering from the aftermath of the stock market decline of 1969-70 and from the current unemployment problem. As a result of these factors the small investor has returned to the investment market only in a limited way, and sales volume remains unsatisfactory at the present time.

On the other hand, assets under management have improved sharply during the past year as a result of the general market advance and the excellent performance of our major funds (American Growth Fund, for example, rose 54% from the lows of last summer). As a result, these assets now total around \$300,000,000.

Looking to the future, we anticipate rising economic activity in both Canada and the United States through 1972 and with it, favourable stock market trends. Thus, hopefully, both assets under management and sales volume should increase together over the months ahead.

During the past year we have continued to add to our products and services for the investing public. We have formed investment counsel subsidiaries in both Montreal and Toronto to service substantial investors, pension funds and other institutional accounts. We have developed our Equity Builders program, a mass marketed, payroll deduction investment program for corporate employees. We have added to our insurance-mutual fund packages for our dual-licensed sales force.

Finally, we are planning a number of new mutual funds to offer to the Canadian public when selling conditions become favourable, along with new marketing techniques to aid in their distribution. Thus, with more products and services to offer and with a more favourable environment anticipated in the period ahead, we look forward with confidence to a resumption of the Company's growth.

W. A. MANFORD President

Toronto, Ontario June 24, 1971

#### CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED MAY 31, 1971 (with comparative figures for the six months ended May 31, 1970)

(with comparative figures for the six months ended May 31, 1970)			
	1971 MA	Y 31 1970	
Revenue	\$2,166,338	\$2,779,285	
Expenses	1,780,050	2,207,923	
Net income before income taxes.	\$ 386,288	\$ 571,362	
Income taxes	203,500	310,648	
Net income for the period	\$ 182,788	\$ 260,714	
Earnings per share	\$ .10	\$ .14	
CONSOLIDATED STATEM	MENT OF	SOURCE	
AND APPLICATION			
FOR THE SIX MONTHS ENDED MAY 31, 1971 (with comparative figures for the six months ended May 31, 1970)			
	1971 MAY	7 31 1970	
FUNDS PROVIDED			
From operations —			
Net income for the year	\$ 182,788	\$ 260,714	
Add depreciation and amortiza-			
tion expense not requiring a current outlay of funds	20,521	24,793	
	203,309	285,507	
Advanced commissions re- covered less income taxes thereon		2,046	
Increase (reduction) in interest			
of minority shareholders in net assets of subsidiaries	3,580	(4,502)	
assets of substalaties	209,452	283,051	
FUNDS APPLIED	200,402	200,001	
Purchase of office furnishings			
and equipment and leasehold improvements	5,645	2,984	
*Dividends Paid	222,981	371,335	
Purchase of seat on the Pacific	,	3, 1, 3, 3	
Coast Stock Exchange	_	77,239	
Taxes paid under Section 105(2)	20.250	CE EOO	
of the Income Tax Act (Canada)	39,350	65,529	

capital during the year .....\$ (58,524) \$ (234,036)

Increase (decrease) in working

267.976

517.087

\$1.551.141

Working Capital May 31st .... \$1,403,746 \$
\*Dividends paid represent a distribution of prior years' earnings.





# management limited

and its subsidiaries

G.E.F. MANAGEMENT LIMITED

AGF SECURITIES, INC.

A.G.F. MONTREAL INVESTMENT MANAGEMENT INC.

AGF TORONTO INVESTMENT MANAGEMENT INC.

Semi-Annual Report 1971

Mutual Funds managed by agf management limited

- AMERICAN GROWTH FUND LIMITED
- AGF SPECIAL FUND LIMITED
- GROWTH EQUITY FUND LIMITED
- CANADIAN TRUSTEED INCOME FUND